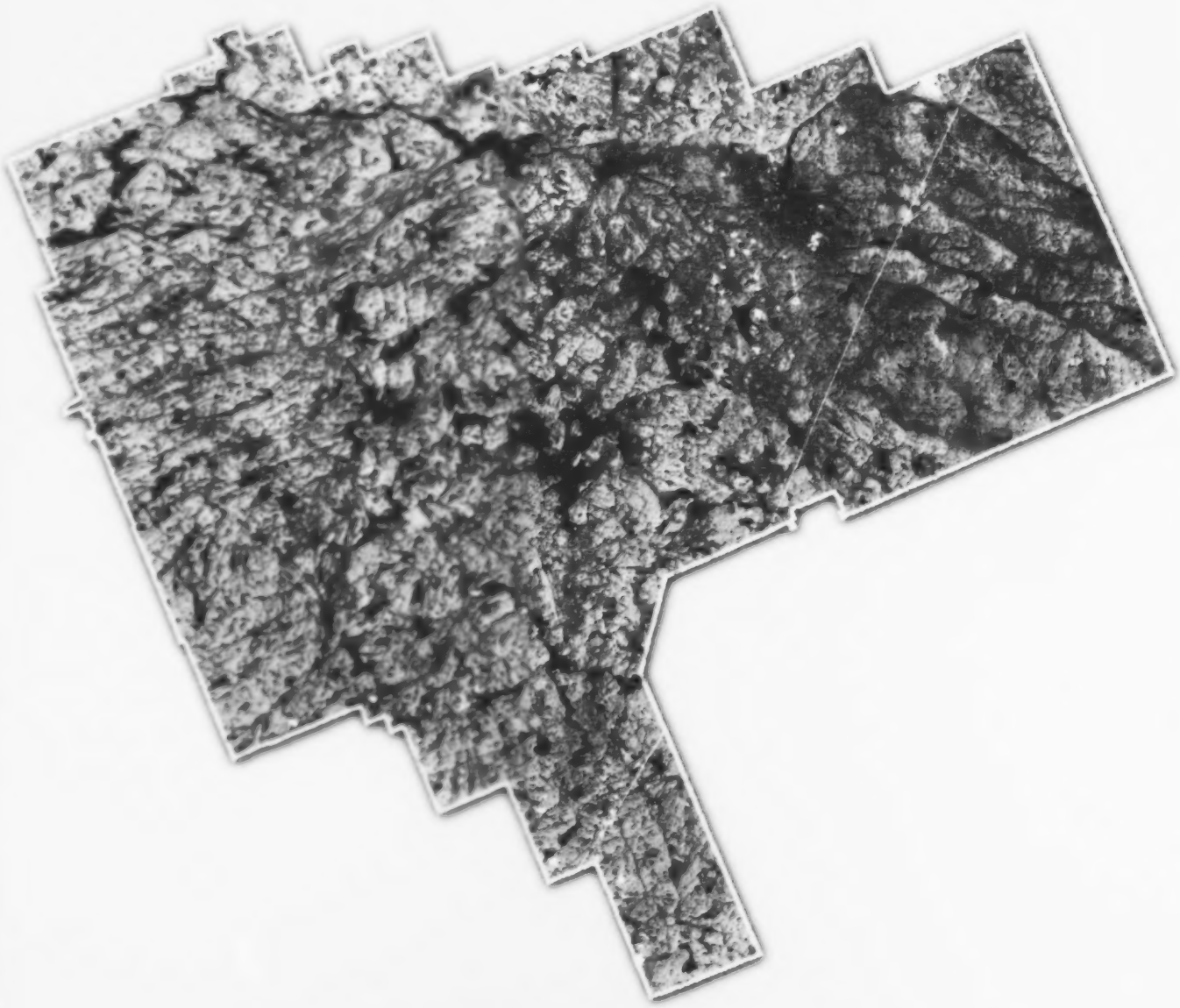
Algonquin Forestry Authority



Thirty-First Annual Report
2005-2006

THIRTY-FIRST ANNUAL REPORT 2005 - 2006

TO HIS HONOUR
The Lieutenant-Governor
of the Province of Ontario

MAY IT PLEASE YOUR HONOUR
The undersigned begs respectfully to present to Your Honour the Annual Report of the Algonquin Forestry Authority for the year beginning April 1, 2005 and ending March 31, 2006.

THE HONOURABLE DAVID RAMSAY
Minister

ALGONQUIN
FORESTRY
AUTHORITY

THE HONOURABLE DAVID RAMSAY
Minister of Natural Resources

Honourable Sir:

I have the honour to submit to you the Annual Report of the Algonquin Forestry Authority for the year beginning April 1, 2005 and ending March 31, 2006.

HUGH CHRISTIE
Chair

TABLE OF CONTENTS

Role and Mandate 2

Chair's Message 3

Results of Operations

Forest Management 4

Forest Management Summary 2005 - 2006 4

Harvesting 5

Product Distribution - Algonquin Park 5

Financial Results 7

Organization Chart 8

Board of Directors 9

Actions to Implement Forestry Policy 10

Financial Statements

Management's Statement 11

Auditor's Report 12

Statement of Financial Position 13

Statement of Operations 14

Statement of Changes In Net Assets 15

Statement of Cash Flows 16

Notes to the Financial Statements 17

ROLE AND MANDATE

2007-01766/

The Algonquin Forestry Authority (AFA) operates under the Algonquin Forestry Authority Act, 1990. This legislation sets out the management, objectives and powers of the AFA. Responsibilities in Algonquin Provincial Park include:

- Ensuring the sustainable management of Algonquin's forests
- Planning of all forestry operations
- Harvesting and distribution of wood products to mills
- Monitoring forestry operations

All activities are carried out under the direction of a Ministry of Natural Resources' approved Forest Management Plan (FMP) and also under an Environmental Management System (EMS). The EMS is registered to the International Standards Organization (ISO) 14001 standard. Key components of the EMS are prevention of pollution, continual improvement and compliance with applicable laws and guidelines.

AFA receives management direction from several different plans and legislation, but its Forestry Policy guides its day-to-day activities.

AFA's commitment to sustainable forest management can be found in its Vision Statement:

To achieve the highest standards of sustainable forest management practices, in order to maintain Park values for future generations.

The Authority applies the principles of sustainable forest management to balance the public's concern for protecting Park values. Protection of recreation, fisheries, wildlife habitat and natural and cultural heritage values is of utmost importance while maintaining a supply of forest products to mills dependent on Park timber. Harvesting is carefully regulated to minimize impacts on other forest values.

The Authority contracts out both harvesting and forest management work to companies from communities in the region. The timber harvested supports 13 mills in communities such as Huntsville, Whitney, Madawaska, Pembroke, Mattawa and Rutherglen. Another 5-10 mills receive periodic supplies.

CHAIR'S MESSAGE **by Hugh Christie**

I am honoured to have been appointed Chair of the Authority's Board of Directors in September, 2005 and pleased to deliver my first annual message. Also, appointed directors in the fall of 2005 were Bill Dickinson of Bracebridge; Karen LeClerc of Deep River; and Terry Mullin of Barry's Bay. I look forward to working with representatives from government, the forest industry, contractors, AFA staff and my colleagues on the Board during these challenging times for the forest industry.

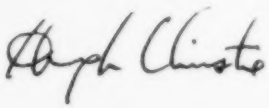
In my short time here I've noted the importance of the logging culture to communities adjacent to Algonquin Park. It is extremely important that while we carry out our forestry activities we ensure the protection of the Park's natural and cultural features and its diversity of recreational experiences. "Maintaining the Balance" is the Authority's motto and never has it been more important.

The past fiscal year was the first in the approved 2005 – 2025 Forest Management Plan and it was a difficult one for the forest industry. The continuing softwood lumber saga, high energy costs, the increased value of the Canadian dollar and several other issues have contributed to what many refer to as the "perfect storm" for the industry. Ontario has experienced numerous job losses and mill closures in the forest sector during the last year. In spite of these difficulties a successful forest management program was delivered in Algonquin Park and a volume of 622,400 cubic metres was harvested. The harvest volume was a record level since the Authority's inception.

It is anticipated that the 2006 – 2007 fiscal year will again be trying for Ontario's forest industry. We predict that the AFA harvest volume will decrease from current levels and this reduction will be primarily in pulp quality products.

Staff continued their work on the forest certification initiative. An advisory group will be formed this year to provide input on the identification of values, objectives, indicators and targets (VOITs). Also, work will commence on the development of a sustainable forest management plan as required by the Canadian Standards Association's Z-809 standard.

This annual report summarizes the financial and operational activities of last year. The exemplary performance of the AFA is due to the hard work and dedication of the staff of the Authority. They are to be commended for their commitment to the AFA.



FOREST MANAGEMENT

The approved 2005-2025 Forest Management Plan (FMP) for the Algonquin Park Forest details the goals, objectives and strategies for the twenty-year period and outlines specific operations for the 2005-2010 term. Forest management activities in Algonquin Park must follow FMP prescriptions.

In order to implement forest management systems in Algonquin Park it is first necessary to designate which trees are to be harvested and which are to be retained, while protecting other resource values. This is done by skilled tree markers who follow the prescriptions prepared by Registered Professional Foresters in the Forest Management Plan. The partial harvesting systems used in Algonquin Park rely heavily on natural regeneration. To date, this has been largely successful. Tree marking was carried out in 2005 - 2006 on 10,963 hectares.

Trees planted in Algonquin are grown from seed that originates within the Park. A total of 109,000 tree seedlings were planted on 113 hectares. Private nurseries are growing 268,000 seedlings for planting in 2006.

Three hundred and nine hectares were site-prepared for planting in 2006 and 73 hectares were scarified for natural regeneration.

Regeneration assessments were conducted on 586 hectares. Regeneration assessments are not conducted in hardwood selection areas where natural regeneration is assured.

Stand improvement was completed on 4,187 hectares to assist growth of residual trees and natural regeneration.

The 2005-2006 forest management program is illustrated below and is compared to annual FMP targets. The program was the first year of the approved 2005-2025 FMP.

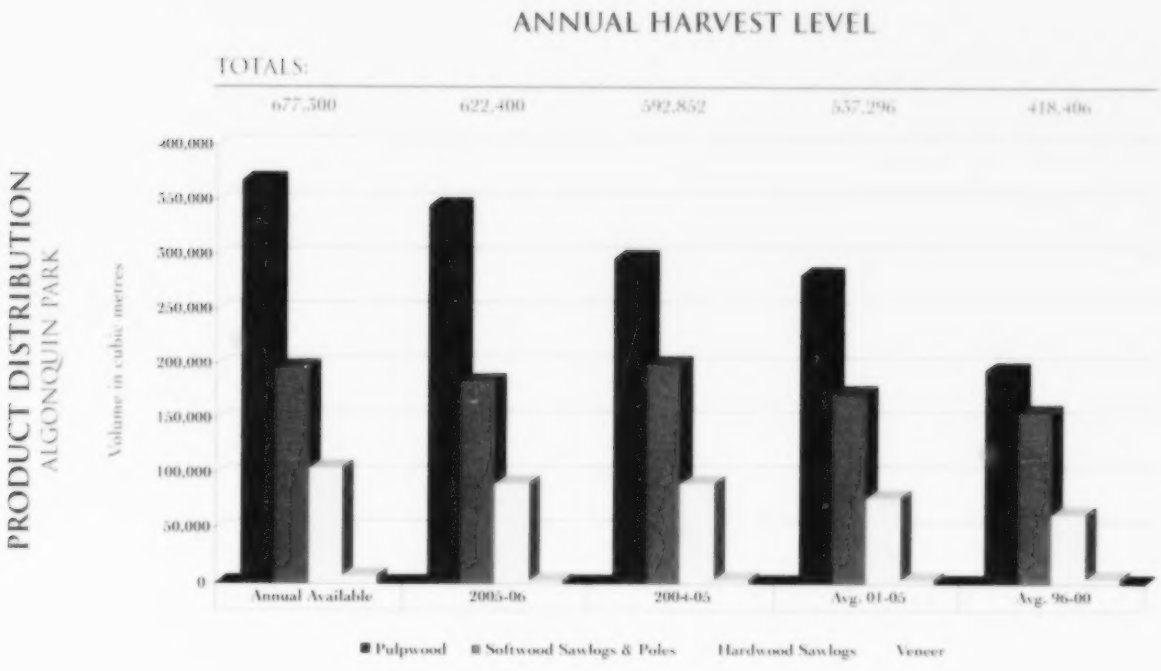
HARVESTING

The volume harvested was a record level of 622,400 cubic metres (m3) compared to an annual allowable harvest of 677,300 m3 as determined in the FMP. It is important to note that the level of harvest is within the sustainable level that the Algonquin forest can provide. The 2005-2006 volume harvested is illustrated in the following graph and is compared to the previous year and annual averages for the previous two five-year terms.

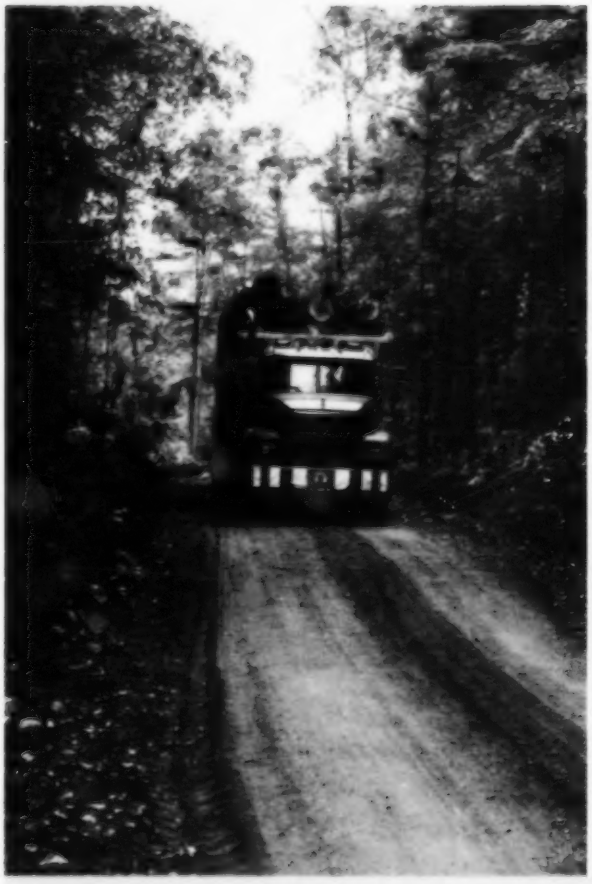
As in the past several years, the 2005-2006 year continued to be difficult for Ontario's forest sector. The ongoing softwood lumber duty, increased energy costs, wood supply issues and a high Canadian dollar continued to provide challenges. Despite these ongoing issues, demand for forest products from the Algonquin Park forest remained strong.

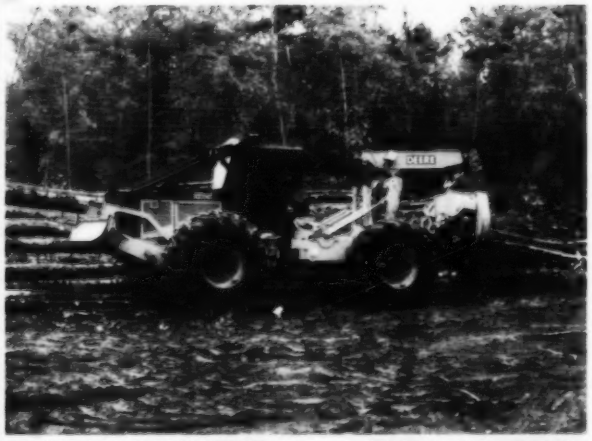
It is anticipated that the harvest level in Algonquin Park for 2006-2007 will be reduced from the past several years, primarily in pulp quality products. This will result from higher transportation costs associated with these products.

The key component in carrying out forestry activities for the Authority and its contractors is to ensure that work is done in a safe and responsible manner. The annual safety award for 2005-2006 was presented to Walter Dombroski & Sons Logging. This award is presented to the contractor with the best safety record. Dombroski & Sons Logging had a total of 7,655 person days of work with no lost time accidents. Also, the AFA and contractors administer an Environmental and Safety Award system that recognizes positive work practices. Awards are presented based on a point system for each crew that is accumulated over the year. The top three cut and skid operators on each contractor operation received presentations from AFA. In addition, the hauling and road building sectors are recognized for their contributions to the overall results.



Accepting the Contractor safety Award from Danny Janke, AFA's Manager of Operations Pembroke is Joey Dombroski, Vice-President of W.E. Dombroski & Sons Logging Contractors Ltd.





Maintaining The Balance

Harvesting and the Statement of Operations:
Operating revenues for the year were $26,833,554, which represent a decrease of $1,916,160 or 6.66% compared to 2004-2005. Approximately $1,300,000 of this reduction relates to Crown timber stumpage price adjustments that were credited directly to the forest industry as reductions to both product sales and standing timber sales. Other income includes approximately $900,000 of provincial primary forest access road maintenance funding that was reimbursed to AFA for maintenance activities performed. Sales of lower valued species coupled with about a one percent decline in contractor volumes in 2005 - 2006 contributed to the reduced overall revenues.

The decrease in revenues coupled with higher costs for contracted labour, equipment and fuel resulted in a decrease in operating income to $2,353,607 as compared to $3,196,162 in the previous year. Operations planning costs related to the Forest Management Plan now also include the costs associated with AFA's Environmental Management System and system registration and certification. These costs were $121,415 as compared to $101,063 in the previous year. Crown timber stumpage charges were decreased during the year as a result of the pricing adjustments noted above and the lower quality mix of products produced during the year.

Administrative costs increased by $29,174 during the year, primarily as a result of increases to salaries and benefits, directors' expenses and provision for a bad debt. These were partially offset by reductions in depreciation and amortization, public relations and consulting, legal and miscellaneous.

Forest Renewal Fund:
The method of accounting for Crown Stumpage reflects the requirements of the Crown Forest Sustainability Act. The forest renewal portion of the Crown Stumpage Matrix is retained by the Authority, in trust for the Crown, and is used to fund eligible forest renewal work on a cost recovery basis. The forest renewal revenue of $1,232,228 ($1,188,275 in 2005) represents amounts actually charged by the Ministry to customers during the year for renewal fund purposes.

Actual allowable forest renewal expenditures incurred during the year amounted to $1,451,822 as compared to $1,211,208 in 2005. This is the first year that a current year shortfall has been incurred resulting in a loss of $139,380.

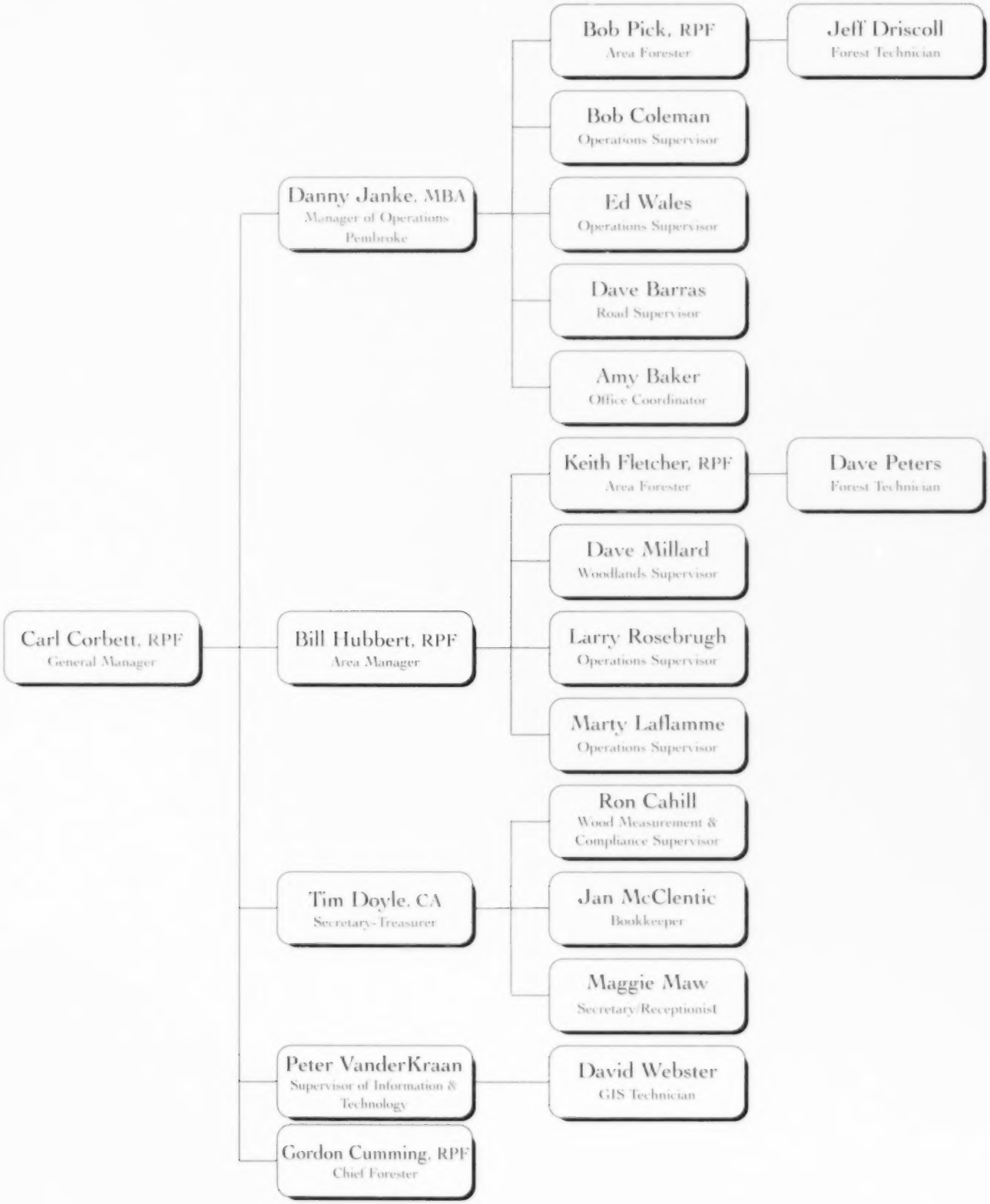
Financial Position - Balance Sheet
The Statement of Financial Position disclosure reflects disclosure requirements affecting not-for-profit organizations, such as the Authority, recommended by the Canadian Institute of Chartered Accountants. Funds received in advance of the planned expenditure are disclosed as 'Deferred Contributions' and amounts once referred to, in a single disclosure component, as 'Retained Income' have been disclosed as three separate components of 'Net Assets'. This disclosure clarifies the restricted/unrestricted nature of our net asset position.

Prior to March 31, 2006 we received approximately $900,000 in road maintenance funding from the Ministry; as these funds were not reimbursed to the industry prior to March 31 our cash balance was higher and accordingly our payables and accruals were also higher. Approximately $1,300,000 in stumpage pricing adjustment was not received prior to March 31 and as such was included in the receivables and in the payables and accruals. When these funds were received in the new year they were immediately forwarded to the forest industry.

Year-end inventory levels were substantially lower this year amounting to only $193,358 as compared to $592,083 in 2005. This inventory was delivered in the spring of 2006.

The Renewal Account balance is now $2,706,196 ($2,579,679 in 2005). Reductions to our renewal rates implemented since the 2000- 2001 season were designed to reduce the overall renewal fund balances, but they remain well above the minimum required balance of $1,500,000.

ORGANIZATION CHART



BOARD OF DIRECTORS

	Date of Appointment	Current Term's Expiration Date
Chair:		
Hugh Christie, Etobicoke, ON	September 8, 2005	September 7, 2008
Vice-Chair:		
Kathleen Reid, Norwood, ON	March 25, 1998	March 10, 2007
Directors:		
William Atkinson, Sundridge, ON	June 2, 2004	June 1, 2007
William Dickinson, Bracebridge, ON	November 10, 2005	November 9, 2008
Don McCormick, Huntsville, ON	June 2, 2004	June 1, 2007
Karen LeClerc, Deep River, ON	November 10, 2005	November 9, 2008
Terrence Mullin, Barry's Bay, ON	November 10, 2005	November 9, 2008
Anne Mundy, Huntsville, ON	June 23, 2004	June 22, 2007
Paul Tufford, Prescott, ON	October 17, 2001	March 10, 2007
Officers:	**General Meetings:**	
C. M. Corbett, R.P.F. General Manager	June 3 - 4, 2005 Barry's Bay, ON	
T. K. Doyle, C.A. Secretary-Treasurer	August 12, 2005 Algonquin Park tour	
	October 14 - 15, 2005 Mattawa, ON	
	December 2 - 3, 2005 Toronto, ON	
	March 24 - 25, 2006 Huntsville, ON	

Photos by Don McCormick

2005 Board of Directors
L - R: Vice-Chair Kathy Reid, Don McCormick, Bill Atkinson, Karen LeClerc, Terry Mullin, Hugh Christie, Chair, Bill Dickinson.Absent: Anne Mundy, Paul Tufford.

ACTIONS TO IMPLEMENT AFA FORESTRY POLICY

- Internal and surveillance audit of Environmental Management System.
- Commenced work on meeting the Canadian Standards Association Z-809 forest certification standard by the end of 2007.
- Conducted forest operation inspections on all forestry activities.
- Continued to meet with interested aboriginal communities to discuss their participation in forestry related activities.
- Paid $4.1 million to contractors for work in tree marking, growing trees, logging and road maintenance and construction activities resulting from discussions with aboriginal communities.
- Provided staff with access to training in the areas of workplace health and safety, installing portable bridges, wood measurement, tree marking, area of concern guidelines, reducing soil disturbance, emergency response, species at risk, bear awareness, forest hydrology, compliance inspections, forest health, geographic information systems, leadership, accounting and personal development courses.
- Assisted with a research project on tolerant hardwood management at the Swan Lake Research Centre in Algonquin Park and provide funding for wood turtle research work.
- Provided safety and environmental awards to recognize accomplishments of woods workers.
- Contributed financially to the fifth annual Canadian Lumberman's Association - Eastern Canadian Teacher's Tour hosted by the Canadian Ecology Centre and the Forestry Research Partnership.
- Awarded scholarships to eight graduating high school students for continuing education.
- Continued to provide tours, presentations to groups and schools and financial support for forestry conferences and venues showcasing the forestry profession.
- Worked with Ontario Parks to complete an updated access road strategy for Algonquin Park.

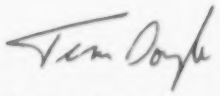
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management and the Board of Directors of the Algonquin Forestry Authority are responsible for the financial statements and all other information presented in this Annual Report. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on Management's best estimates and judgements.

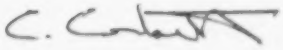
The Algonquin Forestry Authority is dedicated to the highest standards of integrity in its business. To safeguard the Authority's assets, the Authority has a sound and dynamic set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the Algonquin Forestry Authority Act.

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal control. The Board of Directors meets regularly to oversee the financial activities of the Authority and at least annually to review the financial statements and the external auditors' report thereon, and recommends them to the Minister of Natural Resources for approval.

The financial statements have been examined by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.



Tim Doyle C.A.
Treasurer



Carl Corbett R.P.F.
General Manager

AUDITOR'S REPORT

Office of the
Auditor General
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

To the Members,
Algonquin Forestry Authority,
and to the Minister of Natural Resources

I have audited the statement of financial position of the Algonquin Forestry Authority as at March 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 9, 2006

Gary R. Peall, CA
Deputy Auditor General

STATEMENT OF FINANCIAL POSITION - YEAR ENDED MARCH 31

	2006	2005
Assets		
Current		
Cash and cash equivalents	$ 3,411,954	$ 2,136,856
Temporary investments	2,631,934	2,560,143
Receivables	5,410,335	4,560,048
Inventory	193,358	592,083
Prepaids	18,780	5,411
	11,666,361	9,854,541
Capital assets (Note 4)	829,192	1,097,227
	$ 12,495,553	$ 10,951,768
Liabilities		
Current		
Payables and accruals	$ 2,528,353	$ 816,324
Contractors' performance holdbacks	82,754	84,256
Due to Consolidated Revenue Fund	471,128	540,039
	3,082,235	1,440,619
Deferred contributions (Note 5)	----	163,520
Deferred contributions related to forest renewal activity (Note 6)	----	76,282
Obligation for employee future benefits (Note 7)	429,922	399,954
	429,922	639,756
Net assets		
Invested in capital assets	829,192	1,097,227
Restricted - Forest Renewal Fund (Note 3)	2,706,196	2,579,679
Unrestricted - General Fund	5,448,008	5,194,487
	8,983,396	8,871,393
	$ 12,495,553	$ 10,951,768

On behalf of the Board

Director Director

See accompanying notes to the financial statements.

STATEMENT OF OPERATIONS - YEAR ENDED MARCH 31

	General Fund	Forest Renewal Fund	Total 2006	Total 2005
Revenue				
Product sales	$ 23,533,011	$ ---	$ 23,533,011	$ 26,437,511
Forest renewal activity	---	1,232,228	1,232,228	1,188,275
Standing timber sales	759,881	---	759,881	777,915
Other	1,228,220	80,214	1,308,434	346,013
	25,521,112	1,312,442	26,833,554	28,749,714
Expenditure				
Direct program costs	20,573,684	1,103,261	21,676,945	21,117,135
Crown timber stumpage charges	2,402,142	---	2,402,142	3,979,138
Public access road maintenance	161,901	---	161,901	234,630
Operations planning	121,415	---	121,415	101,063
Wood measurement	117,544	---	117,544	121,586
	23,376,686	1,103,261	24,479,947	25,553,552
Operating income	2,144,426	209,181	2,353,607	3,196,162
Administrative and other				
Salaries and benefits	1,191,858	269,281	1,461,139	1,396,686
Amortization	402,621	46,303	448,924	494,680
Office supplies and expenses	103,321	528	103,849	111,795
Bad Debts	55,546	---	55,546	---
Office rent	27,143	17,100	44,243	44,146
Staff travel and training	32,942	4,627	37,569	37,523
Insurance	22,326	10,722	33,048	32,517
Public relations	29,301	---	29,301	59,079
Directors' allowances and expenses	22,191	---	22,191	17,144
Consulting, legal and miscellaneous	5,794	---	5,794	18,860
	1,893,043	348,561	2,241,604	2,212,430
Net income (loss) for the year	$ 251,383	$ (139,380)	$ 112,003	$ 983,732

See accompanying notes to the financial statements.

STATEMENT OF CHANGES IN NET ASSETS - YEAR ENDED MARCH 31

	Invested In Capital Assets	Restricted - Forest Renewal Fund	Unrestricted - General Fund	2006 Total	2005 Total
Balance, beginning of year	$ 1,097,227	$ 2,579,679	$ 5,194,487	$ 8,871,393	$7,887,661
Net income (loss) for the year	---	(139,380)	251,383	112,003	983,732
Interfund transfer (Note 9)	---	219,594	(219,594)	---	---
Amortization	(448,924)	46,303	402,621	---	---
Investment in capital assets	180,889	---	(180,889)	---	---
Balance, end of year	$ 829,192	$ 2,706,196	$ 5,448,008	$ 8,983,396	$8,871,393

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS - YEAR ENDED MARCH 31

	2006	2005
Cash and cash equivalents derived from (applied to)		
Operating		
Net income (loss) for the year:		
General Fund	$ 251,385	$ 929,714
Forest Renewal Fund	(139,380)	54,018
Add (deduct): non-cash items		
Amortization	448,924	494,680
Gain on sale of capital assets	(38,090)	(8,770)
	522,837	1,469,642
Change in non-cash operating working capital	1,176,685	(400,874)
	1,699,522	1,068,768
Financing		
Deferred contributions	(239,802)	117,684
Obligation for employee future benefits	29,968	34,276
	(209,834)	151,960
Investing		
Acquisition of temporary investments	(71,791)	(707,824)
Acquisition of capital assets	(189,551)	(206,677)
Proceeds on sale of capital assets	46,552	8,770
	(214,790)	(905,731)
Increase in cash and cash equivalents	1,275,098	314,997
Cash and cash equivalents, beginning of year	2,136,856	1,821,859
Cash and cash equivalents, end of year	$ 3,411,954	$ 2,136,856

See accompanying notes to the financial statements.

1. **Purpose of the organization**

The Authority is responsible for forest management in Algonquin Provincial Park. The Authority is a Crown Agency which was established by the Ontario government on January 4, 1975 under the Algonquin Forestry Authority Act, 1974. The Authority is exempt from income taxes under the Income Tax Act.

2. **Significant accounting policies**

Basis of accounting

The Authority's financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants.

Fund accounting

The General Fund accounts for the Authority's profit generating and administrative activities. The Forest Renewal Fund accounts for the forest management activities, including silvicultural work.

Revenue recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Revenue from product and standing timber sales and forest renewal charges are recognized when the wood is delivered. Consulting and other income is recognized as revenue when earned.

Temporary investments

Temporary investments consist of short term treasury bills and are recorded at the lower of cost or market. The fair value of the Authority's temporary investments approximate their carrying values due to their short term maturity.

Inventories

Inventories, which consist of harvested wood not yet delivered to customers, are valued on the first in, first out basis at the lower of cost or net realizable value.

Capital assets

Capital assets are recorded at cost. Depreciation is provided on a straight-line basis, using rates of 10% per annum for furniture, fixtures, technical equipment, buildings and leasehold improvements, 20% per annum for data processing equipment, and 25% per annum for automotive equipment. The cost of bridges and access roads is amortized over the estimated number of operating seasons for which the bridges and roads are to be used, with a maximum amortization period of 10 years. Forest renewal assets are depreciated and amortized at the same rates as the assets mentioned above.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, balances with banks and short term deposits with original maturities of three months or less.

2. Significant accounting policies (cont'd)

Use of estimates
In preparing the Authority's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Forest Renewal Fund

Effective April 1, 2002, the Authority renewed its 20-year agreement with the Ministry of Natural Resources to perform forest management activities, including silvicultural work. Funding, on a cost recovery basis, for these activities is derived from stumpage charges levied under the Crown Forest Sustainability Act and grants from the Forestry Futures Fund.

The agreement also requires the Authority to maintain a minimum balance of $1,500,000 in the Forest Renewal Fund.

4. Capital assets

	Cost	Accumulated Depreciation	2006 Net Book Value	2005 Net Book Value
Bridges and access roads	$ 5,346,799	$ 4,856,605	$ 490,194	$ 709,140
Buildings	287,284	201,730	85,554	126,658
Forest renewal assets	450,839	383,312	67,527	104,922
Automotive equipment	332,688	186,503	146,185	95,540
Data processing equipment	181,502	168,865	12,637	31,217
Furniture and fixtures	83,358	68,018	15,340	20,009
Technical equipment	192,282	185,452	6,830	8,622
Leasehold improvements	44,804	39,879	4,925	1,119
	$ 6,919,556	$ 6,090,364	$ 829,192	$ 1,097,227

5. Deferred contributions

Deferred contributions represent unspent resources externally restricted for public access road maintenance received from the Ministry of Natural Resources in the current period and which relate to expenses of future periods. Changes in the deferred contributions balance are as follows:

	2006	2005
Beginning balance	$ 163,520	$ 68,769
Add: amount received in the year	---	331,000
Less: amount spent on road maintenance and related depreciation costs in the year	(163,520)	(236,249)
Ending balance	$ ---	$ 163,520

6. Deferred contributions related to forest renewal activity

Deferred contributions related to forest renewal activity represent unspent resources externally restricted by the Ministry of Natural Resources for Forest Renewal Fund activities. They consist of funds from Forest Renewal charges billed to customers received in the current period and which relate to expenses of future periods. Changes in the deferred contributions balance are as follows:

	2006	2005
Beginning balance	$ 76,282	$ 53,349
Add: amount received in the year	1,155,946	1,211,208
Less: amount spent on forest renewal activity in the year	(1,232,228)	(1,188,275)
Ending balance	**$ ---**	$ 76,282

7. Employee future benefits

The Authority provides pension benefits for all its full-time employees through participation in the Public Service Pension Fund (PSPF) established by the Province of Ontario, which is a multi-employer defined benefit plan providing pension benefits. This plan is accounted for as a defined contribution plan as there is insufficient information available to apply defined benefit plan accounting. The Authority's contributions related to the pension plan for the year were $104,964 (2005 - $ 93,203) and are included in salaries and benefits in the Statement of Operations.

The Authority also provides termination benefits to qualifying employees. All full-time employees qualify for a severance payment equal to one week of salary for each year of continuous service with the Authority, to a maximum of one half of the employee's annual salary. The total obligation for severance payments vested amounts to $429,922 at year-end (2005 - $399,954).

The cost of other non-pension post-retirement benefits is the responsibility of the Ontario Ministry of Government Services and accordingly is not accrued or included in the Statement of Operations.

8. Remuneration of appointments

Total remuneration of the Board members of the Authority was approximately $ 8,096 during the fiscal year (2005 - $ 4,950).

9. Interfund transfer

The Board of Directors has approved, by resolution, that any loss incurred in the Forest Renewal Fund resulting from forest renewal activity expenses exceeding revenue during the year (excluding other income) shall be funded by the General Fund.

10. Financial instruments

The Authority's financial instruments consist of cash, accounts receivable, temporary investments, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

THE ALGONQUIN FORESTRY AUTHORITY

222 Main Street West
Huntsville, ON P1H 1Y1
Tel: (705) 789-9647 Fax: (705) 789-3553
e-mail: huntsville.office@algonquinforestry.on.ca

84 Isabella Street, The Victoria Centre
Pembroke, ON K8A 5S5
Tel: (613) 735-0173 Fax: (613) 735-4192
e-mail:pembroke.office@algonquinforestry.on.ca

Website: www.algonquinforestry.on.ca

This publication is available in French upon request.
Sur demande, vous pouvez obtenir la version française de ce rapport annuel.

THE ALGONQUIN FORESTRY AUTHORITY

222 Main Street West
Huntsville, ON P1H 1Y1
Tel: (705) 789-9647 Fax: (705) 789-3353
e-mail: huntsville.office@algonquinforestry.on.ca

84 Isabella Street, The Victoria Centre
Pembroke, ON K8A 5S5
Tel: (613) 735-0173 Fax: (613) 735-4192
e-mail:pembroke.office@algonquinforestry.on.ca

Website: www.algonquinforestry.on.ca

This publication is available in French upon request.
Sur demande, vous pouvez obtenir la version française de ce rapport annuel.